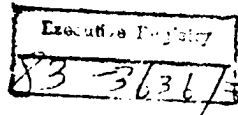


United States Department of State



Washington, D.C. 20520



5/2/83

~~CONFIDENTIAL~~

TO : OVP - Mr. Donald P. Gregg
 NSC - Mr. Robert Kimmitt
 Agriculture - Mr. Raymond Lett
 CEA - Mr. William Niskanen
 CIA -
 Commerce - Mrs. Helen Robbins
 Defense - COL John Stanford
 Interior - Mr. Barry Albright
 OMB - Mr. Alton Keel
 OPD - Mr. Edwin Harper
 Treasury - Mr. David Pickford
 USTR - Mr. Dennis Whitfield
 GSA - The Administrator
 FEMA - Mr. Louis O. Guiffride

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SUBJECT: SIG/IEP on Memorandum of Understanding on GSA Tin
 Stockpile Disposals

A working group consisting of representatives of agencies belonging to the SIG/IEP met August 2, 1983 and worked out compromise texts for the Memorandum of Understanding and accompanying Aide Memoire relating to GSA tin disposals. The attached texts, which supercede those transmitted to addressees under cover of my memorandum dated August 1, subject as above, are for discussion at the SIG/IEP on August 3.

Charles Hill
 Executive Secretary

Attachments:

1. Revised Memorandum of Understanding
2. Revised Aide Memoire

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 DECL: OADR

1. The United States Government acknowledges that the General Services Administration (GSA) is, for all practical purposes, a tin supplier engaged in world market operations. It was originally contemplated that GSA would sell about 10,000 tons of surplus tin per year. Based on an assessment of world market conditions at the present time, and cognizant of GSA's existing legislative authority and constraints, an annual drawdown of the stockpile of a maximum of 5,000 tons per year would be GSA's market role. Future market conditions may warrant a reassessment of GSA's market role.

2. Malaysia and The United States Government ^{currently estimates} [accept] that GSA tin disposals will not exceed 6,000 tons for the two year period 1983 - 1984. This disposal will be on an annualized basis of 3,000 tons in each of these years taking into account the United States Government ferroalloy upgrade program. This rate is expected to continue in the future under prevailing world market conditions. The GSA will continue its policy of using all available market information in evaluating the price at which it offers its tin. GSA will sell tin in such a manner as to maximize feasible returns and to prevent avoidable losses to the United States Government, taking into account the international market. In the interest of improving predictability and assisting Malaysian, ASEAN and other tin producers in the orderly marketing of their tin production, GSA will provide timely information on the implementation of the ferroalloy program, including the anticipated schedule of exchanges of tin and other commodities in support of the program.

3. When the ferroalloy upgrade program ceases to be funded by an exchange of tin or other commodities from the United States National Defense Stockpile, the United States Government ^{expects} ~~[agrees]~~ to consider further the Malaysian Government's proposal for sales of excess tin from the United States National Defense Stockpile to the Malaysian Mining Corporation (MMC), at an annual rate and terms to be considered in future consultations. The United States Government will consider purchases of Malaysian-origin rubber for the Stockpile in consonance with the Annual Materials Plan (AMP) and established Stockpile acquisition goals.

4. In pursuing the foregoing program, both Malaysia and the United States are cognizant of the interests of ASEAN and other tin producers. The United States Government will consult with ASEAN tin producers in the ASEAN Washington Committee regarding tin disposals.

5. The United States or Malaysia may call for further consultations in connection with the above-mentioned points of understanding, on the basis of changed market conditions, or as circumstances warrant.

EA/IMBS
8/2/83

DRAFT

AIDE MEMOIRE

Referring to discussions held in Washington, D.C. on June 29-July 1, 1983 with Ambassador Zain Azraai and a group headed by Senator Alexander Y.L. Lee, the Embassy of the United States of America wishes to clarify several points contained in the draft document which emerged from those discussions:

The Memorandum of Understanding should be viewed as a summary of discussions, not as a legal document, and its title is not determinative of the contents thereof.

This summary contains the elements of a framework for conducting consultations with the members of the Association of Southeast Asian Nations (ASEAN) on the subject of disposal of surplus tin from the United States national defense stockpile.

The United States is prepared to meet with the ASEAN Washington Committee to discuss the results of the June 29-July 1 discussions and to advise them concerning current GSA guidelines for tin disposals during the next two years. These guidelines are based on recent estimates, which take into account present circumstances and expectations, and are subject to change as market expectations are revised.

Additional meetings with the ASEAN Washington Committee may be arranged on a mutually acceptable basis during the next two years to discuss any relevant changes in international tin markets and in GSA tin disposal guidelines and requirements.

With regard to the maximum drawdown of the tin stockpile by 5,000 tons per year mentioned in paragraph 1 of the summary, we would emphasize that this is our current working estimate of the GSA role which is subject to modification if market conditions warrant.

We will inform the ASEAN countries if the guideline disposal rate beyond the 3,000 tons indicated for each year in paragraph 2 of the summary is revised.

GSA would expect to participate in any increased market demand beyond current expectations. In assessing market conditions and in determining actual disposal amounts, the United States considers any indications of unfair market practices, as well as changes in supply and demand. In any case, we would expect to consult with the ASEAN countries.

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In paragraph 3, mention was made of possible rubber purchases and tin disposals by GSA. Although GSA expects to undertake these activities, it will continue to use its present competitive methods in conducting its operations and nothing in the summary implies preferential treatment by GSA for any particular party in considering purchases of rubber or sales of tin.

We trust these interpretations will enable all concerned with the discussions to better understand the intent of the summary document.

EA/IMBS
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